

## Supreme Court Affirms “You Own What You Buy”

On March 19, 2013, the U.S. Supreme Court affirmed the principle that you own the books and other copyrighted products that you buy, regardless of where the products were made. In *Supap Kirtsaeng v. John Wiley & Sons, Inc.*, the Court held that the U.S. Copyright Act’s “first sale doctrine” applies to copyrighted works produced abroad, not just those produced in the U.S. This much-anticipated decision will have wide implications for American consumers, potentially resulting in lower prices for books, software, and other copyrighted works, at least in the short term.

The case started when Supap Kirtsaeng, an enterprising math graduate student from Thailand, asked friends and family to buy English-language textbooks in Thai book shops, where they were sold at low prices, and ship them to him in the United States. He then sold the books online and kept the profits, to the tune of over \$100,000. The publisher of the books, John Wiley & Sons, Inc., was of course not happy about losing its American profits, and filed suit.

At issue was a conflict between two provisions of the U.S. Copyright Act. Section 109(a) codifies the first sale doctrine, which states that the owner of a particular copy of a lawfully made copyrighted work is entitled, without authority of the copyright owner, to sell or otherwise dispose of that copy. In other words, a person who purchases a lawful copy of a painting, for example, is free to resell, loan, or give away the copy that he purchased. (However, he is still prohibited from making new copies or exercising other rights of the copyright owner without the owner’s permission.)

In conflict with the first sale doctrine was Section 602(a)(1) of the Copyright Act, which states that importation into the United States, without authority of the copyright owner, of copies a work acquired outside the United States is an infringement of the copyright owner’s right to distribute copies. This provision permitted copyright owners to prohibit importation of works produced abroad (often referred to as “gray market goods”). It is this provision that allowed publishers like Wiley to segment pricing of their products into different world markets, so that the same book sold in the U.S. could be charged at a higher price than the same book sold in Thailand.

In a 6-3 decision led by Justice Stephen Breyer, the Court found that the Copyright Act’s first sale doctrine had no geographical restrictions. To impose such a restriction, Justice Breyer stated, would have devastating effects on today’s global market -- “nearly everything from cars, microwaves, computers, and other items containing copyrightable software programs or packaging” could not be resold without permission of the owner of every piece of copyrighted item made abroad.

Many hail this decision as a victory for consumers, who can now freely resell in the U.S. copyrighted works made abroad without fear of legal reprisal. Middlemen can now purchase cheaper goods abroad and resell them in the U.S. at a lower price than the same goods initially sold here. Libraries do not need to get permission to lend books that were printed abroad.

However, in an increasingly digitized world, the value of this decision may quickly diminish. Unlike physical products which are *sold*, digital products are *licensed*. Although consumers may colloquially say they “buy” digital products, such as e-books or music downloads, they do not actually buy a copy of the book. Rather, after

accepting a lengthy legal “Terms of Use,” consumers merely have a license (*i.e.*, permission), to use the content on their digital devices for personal, non-commercial uses.

Because the copyright first sale doctrine only applies to copies of works that are *sold* (hence the name “first *sale* doctrine”), it does not apply to works that are *licensed*. Therefore, content providers are free to impose whatever restrictions they desire on their digital products. Thus, someone who downloads an e-book in Thailand would have no right to resell that e-book to anyone in the U.S., or anywhere else for that matter. As the world economy accelerates toward digitization, there will be less and less things to *own*. So although the Supreme Court may have given American consumers a victory, its relevance may be rather short-lived.

*For more information on copyright permissions, licenses, and other intellectual property issues, please contact Gammon & Grange attorney [Kenneth Liu](#).*

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